

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Story City, Iowa.

The City's receipts totaled \$4,419,686 for the year ended June 30, 2014, a two percent increase from 2013. The receipts included \$1,153,253 in property tax, \$679,432 from tax increment financing collections, \$1,179,264 from charges for service, \$450,816 from operating grants, contributions and restricted interest, \$305,303 from capital grants, contributions, and restricted interest, \$386,685 from local option sales tax, \$21,841 from unrestricted investment earnings, and \$243,092 from other general receipts.

Disbursements for the year totaled \$6,821,039, a twenty-six percent decrease from the prior year, and included \$1,353,128 for debt service, \$2,371,213 for capital projects, and \$626,309 for culture and recreation. Also, disbursements for business type activities totaled \$974,907.

A copy of the audit report is available for review in the City Clerk's office, in the office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/index.html>.

CITY OF STORY CITY
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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City of Story City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Jensen	Mayor	Jan 2018
Dwayne Fihr	Council Member	Jan 2016
Valaree Muhlenburg	Council Member	Jan 2016
Becky Watson	Council Member	Jan 2016
Dave Sporleder	Mayor Pro Tem/Council Member	Jan 2018
Matt Triggs	Council Member	Jan 2018
Mark Jackson	Administrator	
Dena Nichols	Clerk/Treasurer	
Fred A. Larson	Attorney	

City of Story City

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements of the City's primary government listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Story City as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

However, the primary government financial statements, because they do not include the financial data of the component unit of the City of Story City, do not purport to, and do not, present fairly the results of the cash transactions of the funds of the City of Story City as of and for the year ended June 30, 2014 on the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Story City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented management's discussion and analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

The other information, the budgetary comparison of information on pages 27-29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2014 on our consideration of the City of Story City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Story City's internal control over financial reporting and compliance.

September 15, 2014
Ames, Iowa

City of Story City

Basic Financial Statements

City of Story City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 537,764	24,418	-	-
Public works	451,451	63,958	344,652	-
Health and social services	17,350	-	-	-
Culture and recreation	626,309	90,684	84,574	3,000
Community and economic development	87,032	-	4,472	223,862
General government	401,885	-	17,104	-
Debt service	1,353,128	-	-	-
Capital projects	2,371,213	-	14	78,441
Total governmental activities	5,846,132	179,060	450,816	305,303
Business type activities:				
Water	619,371	586,198	-	-
Sewer	351,604	366,980	-	-
Stormwater drainage	3,932	47,026	-	-
Total business type activities	974,907	1,000,204	-	-
Total	\$ 6,821,039	1,179,264	450,816	305,303
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Special assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Franchise fees				
Unrestricted interest on investments				
Loan repayments				
Rent				
Bond/Note proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery Perpetual Care				
Expendable:				
Streets				
Urban renewal purposes				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
----------------------------	-----------------------------	-------

(513,346)	-	(513,346)
(42,841)	-	(42,841)
(17,350)	-	(17,350)
(448,051)	-	(448,051)
141,302	-	141,302
(384,781)	-	(384,781)
(1,353,128)	-	(1,353,128)
(2,292,758)	-	(2,292,758)
(4,910,953)	-	(4,910,953)

-	(33,173)	(33,173)
-	15,376	15,376
-	43,094	43,094
-	25,297	25,297
(4,910,953)	25,297	(4,885,656)

874,498	-	874,498
278,755	-	278,755
8,026	-	8,026
679,432	-	679,432
386,685	-	386,685
103,117	-	103,117
24,777	-	24,777
16,269	5,572	21,841
15,452	-	15,452
29,013	18,240	47,253
35,000	-	35,000
3,578	-	3,578
5,889	-	5,889
(26,000)	26,000	-
2,434,491	49,812	2,484,303
(2,476,462)	75,109	(2,401,353)
4,850,627	1,205,045	6,055,672
\$ 2,374,165	1,280,154	3,654,319

\$ 67,081	-	67,081
145,617	-	145,617
28,230	-	28,230
299,070	274,562	573,632
791,215	209,791	1,001,006
1,042,952	795,801	1,838,753
\$ 2,374,165	\$ 1,280,154	\$ 3,654,319

City of Story City

**Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2014

		Special Revenue		
	General	Tax Increment Financing	Road Use Tax	Library Gift
Receipts:				
Property tax	\$ 843,715	-	-	-
Tax increment financing	-	679,432	-	-
Other city tax	514,579	-	-	-
Licenses and permits	15,727	-	-	-
Use of money and property	32,809	2,132	-	1,277
Intergovernmental	26,899	-	344,652	-
Charges for service	164,661	-	-	-
Special assessments	-	-	-	-
Miscellaneous	23,950	-	-	3,183
Total receipts	1,622,340	681,564	344,652	4,460
Disbursements:				
Operating:				
Public safety	537,764	-	-	-
Public works	47,653	-	307,823	-
Health and social services	17,350	-	-	-
Culture and recreation	562,325	-	-	7,593
Community and economic development	51,192	13,130	-	-
General government	384,259	-	-	-
Debt service	-	381,712	-	-
Capital projects	-	-	-	-
Total disbursements	1,600,543	394,842	307,823	7,593
Excess (deficiency) of receipts over (under) disbursements	21,797	286,722	36,829	(3,133)
Other financing sources (uses):				
Bond/Note proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	2,800	-	-	-
Operating transfers out	(49,000)	(688,685)	-	-
Total other financing sources (uses)	(46,200)	(688,685)	-	-
Change in cash balances	(24,403)	(401,963)	36,829	(3,133)
Cash balances beginning of year	610,247	430,193	108,788	242,002
Cash balances end of year	\$ 585,844	28,230	145,617	238,869
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Urban renewal purposes	-	28,230	-	-
Debt service	-	-	-	-
Streets	-	-	145,617	-
Other purposes	-	-	-	238,869
Unassigned	585,844	-	-	-
Total cash basis fund balances	\$ 585,844	28,230	145,617	238,869

See notes to financial statements.

Hospital Trust	Debt Service General Obligation Bonds	Capital Projects	Other Nonmajor Governmental Funds	Total
-	278,755	30,783	-	1,153,253
-	-	-	-	679,432
-	-	-	-	514,579
-	-	-	-	15,727
1,889	737	5,080	16,810	60,734
-	-	288,429	-	659,980
-	-	-	-	164,661
-	-	-	8,026	8,026
-	-	33,888	37,418	98,439
1,889	279,492	358,180	62,254	3,354,831
-	-	-	-	537,764
-	-	95,975	-	451,451
-	-	-	-	17,350
-	-	21,875	34,516	626,309
-	-	-	22,710	87,032
-	-	-	17,626	401,885
-	971,416	-	-	1,353,128
-	-	2,371,213	-	2,371,213
-	971,416	2,489,063	74,852	5,846,132
1,889	(691,924)	(2,130,883)	(12,598)	(2,491,301)
-	-	35,000	-	35,000
-	-	5,839	-	5,839
40,000	701,685	454,500	18,000	1,216,985
(376,000)	(9,500)	(108,000)	(11,800)	(1,242,985)
(336,000)	692,185	387,339	6,200	14,839
(334,111)	261	(1,743,544)	(6,398)	(2,476,462)
634,175	197,081	2,289,048	339,093	4,850,627
300,064	197,342	545,504	332,695	2,374,165
-	-	-	67,081	67,081
-	-	-	-	28,230
-	197,342	-	101,728	299,070
-	-	-	-	145,617
-	-	545,504	6,842	791,215
300,064	-	-	157,044	1,042,952
300,064	197,342	545,504	332,695	2,374,165

City of Story City
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise Funds			Total
	Water	Sewer	Other Non Major Enterprise Funds	
Operating receipts:				
Use of money and property	\$ 18,240	-	-	18,240
Charges for service	586,198	366,980	47,026	1,000,204
Total operating receipts	604,438	366,980	47,026	1,018,444
Operating disbursements:				
Business type activities	451,137	351,604	3,932	806,673
Total operating disbursements	451,137	351,604	3,932	806,673
Excess (deficiency) of operating receipts over (under) operating disbursements	153,301	15,376	43,094	211,771
Non-operating receipts and disbursements:				
Interest on investments	2,741	2,726	105	5,572
Debt service	(168,234)	-	-	(168,234)
Net non-operating receipts(disbursements)	(165,493)	2,726	105	(162,662)
Excess (deficiency) of receipts over (under) disbursements	(12,192)	18,102	43,199	49,109
Transfers in	257,000	40,000	-	297,000
Transfers out	(212,000)	(23,000)	(36,000)	(271,000)
Net transfers	45,000	17,000	(36,000)	26,000
Change in cash balances	32,808	35,102	7,199	75,109
Cash balances beginning of year	632,771	567,007	5,267	1,205,045
Cash balances end of year	\$ 665,579	602,109	12,466	1,280,154
Cash Basis Fund Balances				
Restricted for:				
Debt Service	\$ 274,562	-	-	274,562
Other purposes	209,791	-	-	209,791
Unrestricted	181,226	602,109	12,466	795,801
Total cash basis fund balances	\$ 665,579	602,109	12,466	1,280,154

See notes to financial statements.

City of Story City

Notes to Financial Statements

June 30, 2014

(1) **Summary of Significant Accounting Policies**

The City of Story City is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. **Reporting Entity**

For financial reporting purposes, the City of Story City has included all funds, organizations, agencies, boards, commissions and authorities, except for its component unit, the Story City Municipal Electric Utility. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's primary government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These primary government financial statements present the City of Story City (the primary government) and exclude the component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. It has not been included in these primary government financial statements which present the primary government only. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its administrative office.

Component Unit

The Story City Municipal Electric Utility is a component unit of the City of Story City and is not presented in these primary government financial statements. They are legally separate from the City, but are financially accountable to the City. The Story City Municipal Electric Utility (Utility) was established to operate the City's electric facilities. The Utility is governed by a three member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Utility is held in the name of the City. A financial benefit/burden relationship exists between the City and the Utility in that the City is authorized by statute to issue general obligation debt for a city utility, and may certify taxes for the payment of the debt.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards: Central Iowa Regional Transportation Planning, Trees Forever Board, E911 Service Board and Story County Mayors Group.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not

allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Library Gift Fund is used to account for donations made to the Library.

The Hospital Trust Fund is used for internal loan purposes.

Debt Service:

The General Obligation Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general obligation long-term debt.

The City reports the following two major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Story City maintains its financial records on the basis of cash receipts and disbursements and the primary government financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the primary government financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the

disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City of Story City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation and water revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	806,142	129,880	100,000	74,536	906,142	204,416
2016	816,667	118,450	100,000	73,886	916,667	192,336
2017	842,203	105,758	100,000	72,884	942,203	178,642
2018	857,753	90,063	100,000	71,884	957,753	161,947
2019	323,317	72,243	535,000	333,606	858,317	405,849
2020-2024	1,123,225	197,297	600,000	272,714	1,723,225	470,011
2025-2029	430,000	53,307	695,000	184,914	1,125,000	238,221
2030-2034	190,000	10,396	650,000	61,098	840,000	71,494
Total	\$ 5,389,307	\$ 777,394	\$ 2,880,000	\$ 1,145,522	\$ 8,269,307	\$ 1,922,916

Water Debt

On October 11, 2012, the City issued \$4,080,000 of General Obligation Water Improvement and Refunding Bonds with an interest rate ranging from .35% - 2.70% and annual maturities from June 2014 until June 2022. The net proceeds were used to refund the Urban Renewal Tax Increment Financing Bonds Series 2007B and the General Obligation Corporate Purpose Bonds Series 2007A on June 1, 2013. \$1,000,000 of the proceeds were also deposited into the Water Treatment Plant Project to assist with financing the plant expansion. The remaining funds were used to purchase U.S. Government securities. The securities were deposited in an irrevocable trust with an escrow agent to refund the Urban Renewal Tax Increment Financing Bonds Series 2010. The amount on deposit in the escrow account was used to refund the 2010 TIF bonds on June 1, 2014 when they became callable.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,925,000 of water revenue bonds issued in October of 2012. Proceeds from the bonds provided financing for the construction of improvements to the municipal waterworks system. The bonds are payable solely from water customer net receipts and are payable through 2037. The total principal and interest remaining to be paid on the bonds is \$2,880,000. For the current year, principal of \$45,000 and interest of \$122,634 was paid on the bonds. Total net receipts were \$154,446.

The resolution providing for the issuance of the revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

- (c) A sum of \$178,600 shall be set aside and paid into a Reserve Fund for the purpose of making principal and interest payments on the Bonds when for any reason the funds in the Sinking Fund are insufficient.
- (d) A sum of \$2,000 on the first day of each month of each year until the balance of \$100,000 is reached shall be deposited into an Improvement Fund. All money credited to the Improvement Fund shall be used solely for the following purposes:
 - 1. To restore a deficiency in the Sinking Fund if sufficient amounts are not available in the Revenue Fund or Reserve Fund.
 - 2. To transfer to the Reserve Fund if any deficiency exists in the Reserve Fund.
 - 3. Not exceeding one-half of the amount required to be paid into the Improvement Fund each month may be used to pay principal and interest on any subordinate revenue bonds issued to pay the cost of making necessary improvements and extensions to the utility.
 - 4. To pay for the cost of capital improvements and extensions to the Utility provided that no deficiency exists in the amounts required to be paid into the Sinking and Reserve Funds.
- (e) Any balance of the Net Revenues in excess of funds specified to be paid into the above funds shall be paid into a Surplus Fund. The Surplus Fund shall be transferred to the Sinking Fund whenever needed to prevent default on payment on any of the Bonds. As long as the Sinking, Reserve and Improvements funds are in compliance with requirements, any balance in the Surplus Fund may be made available to the City to legally direct the funds.

The City is not in compliance with the provisions of the Water Revenue Bond resolution at June 30, 2014.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years end June 30, 2014, 2013, and 2012 were \$99,840, \$90,261 and \$83,027, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Only a portion of sick leave is payable upon termination of employment if the

employee quits or retires after at least ten years of continuous service. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 51,617
Sick leave	<u>75,695</u>
Total	<u>\$127,312</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(6) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimate for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$80,103.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk sharing certificate, or in the event a casualty claim, property loss or series of claims of losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment for such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for Workman's Compensation coverage in the amount of \$1,000,000 each employee and \$1,000,000 each accident.

(7) Health Insurance

The City entered into an agreement to partially self-fund employee deductibles and out of pocket maximum payments under their health insurance plan. The deductible for an employee under a single plan is \$500 and for a family plan is \$1,000.

The maximum out of pocket costs for an employee under a single plan is \$1,000 and for a family plan is \$2,000.

The maximum liability to the City is \$1,500 for a single plan and \$3,000 for a family plan.

(8) Landfill

The City has contracted with the City of Ames for solid waste disposal for all households or residences within the City. The contract began April 1, 1994 and will terminate June 30, 2014. The cost is computed for each calendar year. On or before February 15th of each year, the City of Ames will notify the City of Story City of its proportionate share of the net costs of the system for the prior calendar year. The City of Story City will pay the City of Ames one-half of its share on July 15th and one-half on or before December 15th of each year. The annual rate of the contract is determined by multiplying the net per capita cost of the Ames solid waste disposal system by the population of the City of Story City.

(9) Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Hospital Trust	\$ 1,000
	Gilbert Library	1,800
		<u>2,800</u>
Debt Service:	Special Revenue:	
General Obligations	Tax Increment Financing	648,685
	Capital Projects	43,000
	Debt Service:	
	Special Assessments	10,000
		<u>701,685</u>
Special Revenue:	General	15,000
Insurance		
	Special Revenue:	
Hospital Trust	Tax Increment Financing	<u>40,000</u>
		<u>55,000</u>
Capital Projects	General	34,000
	Special Revenue:	
	Hospital Trust	375,000
	Debt Service:	
	General Obligations	9,500
	Enterprise:	
	Storm Water Drainage	<u>36,000</u>
		<u>454,500</u>
Special Revenue:	Enterprise:	
Insurance	Sewer	<u>3,000</u>
Enterprise:		
Water	Capital Projects	65,000
	Enterprise:	
Sewer	Water	<u>20,000</u>
		<u>85,000</u>
Total		<u>\$ 1,301,985</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) Notes Receivable/Economic Development

During the fiscal year ended June 30, 2009, the City entered into a loan agreement with MH Eby, Inc. Monthly interest of \$52 is due and payable starting October 5, 2008 thru August 5, 2012. Principal plus interest of \$12,552 is due and payable on September 5, 2012. Thereafter, monthly interest of \$26 shall be due and payable starting September 5, 2012 and continuing thru August 5, 2013. Principal plus interest in the amount of \$12,552 shall be due and payable on September 5, 2013. The loan was paid off during the fiscal year ended June 30, 2014.

The City also entered into an agreement with LaFayette Township to purchase a first responder vehicle. The City will advance the purchase price of the vehicle and the cost of equipping it. The Township will repay the City for the Township's 30% share of the cost on or before December 1, 2012 with an interest rate of 2.7%. The Township forgot to make their required payment by December 1, 2012 but they paid off the balance of the loan during the fiscal year ended June 30, 2014.

The City entered into a loan agreement with the Story City Locker in October of 2013. The loan is a five year loan for \$22,700 with an interest rate of 1.62%. The loan will be repaid monthly with payments of \$395 including interest starting January 2014.

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$20,726 during the year ended June 30, 2014.

(12) Construction Commitments

The City had the following commitments with respect to unfinished capital projects at June 30, 2014:

<u>Project</u>	<u>Remaining Commitment</u>
Water Treatment Plant Project	\$26,548
I-35 Business Park Improvements, Phase IV	19,375
South Story City Drainage Improvement Project	430,338

(13) Golf Course Lease

On January 1, 2009, the City entered into a lease with River Bend Golf Course LTD which states that River Bend is going to manage and operate the City owned golf course. The lease is a 10 year lease with automatic renewal upon expiration. Starting in January 2012, River Bend will pay the City \$7,500 or 5% of gross revenues for the year, whichever is less. This fee will be paid by January 31st of the following year. No fees will be charged by the City for the first 3 years of operation. In years in which the golf course suffers losses due to flooding, these fees may be waived. The City approved waiving the 2013 fee of \$7,500 that was payable January of 2014.

(14) Other Leases

The City leases various land thru a number of different leases. Total received during the fiscal year under these leases was \$31,448. They also lease water tower space for a communications antenna. Total received during the fiscal year under this lease was \$15,840.

(15) Forgivable Loans

The City received two forgivable loans (\$115,000 and \$300,000) from the Iowa Department of Economic Development (IDED) during the fiscal year ended June 30, 2010. These loans were passed thru to Generation Repair and Service, LLC. Generation Repair and Service, LLC is required to meet certain terms, including fulfillment of job obligations. If the terms of the funding agreements are met, then the IDED will forgive the loans to the City.

(16) Deficit Balances

The following funds had deficit balances at June 30, 2014:

Special Revenue Insurance Fund	\$ 951
Capital Projects South Storm Water Drainage Fund	36,613
Capital Projects CDBG South Storm Water Drainage Fund	1,966
Capital Projects Housing/CDBG Fund	90,393

(17) Rebate Agreements

The City has entered into various rebate agreements to assist in urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total to be paid by the City under the agreements is \$249,341. No money was rebated during the 2013-2014 fiscal year.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City.

(18) Litigation

The City is subject to pending litigation seeking damages for loss of reputation, past and future emotional injury, loss of consortium, and other specific damages, plus injunctive relief, punitive damages, attorney fees and costs. The City intends to vigorously contest these claims. The City believes there is a reasonably good probability of a favorable outcome. The potential loss, if any, would appear to be limited to the \$2,000 deductible the City has under their insurance plan.

(19) Subsequent Events

The date through which events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure is September 15, 2014, which is the date of this report.

(20) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Story City
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 1,153,253	-	1,153,253
Tax increment financing collections	679,432	-	679,432
Other city tax	514,579	-	514,579
Licenses and permits	15,727	-	15,727
Use of money and property	60,734	23,812	84,546
Intergovernmental	659,980	-	659,980
Charges for service	164,661	1,000,204	1,164,865
Special assessments	8,026	-	8,026
Miscellaneous	98,439	-	98,439
Total receipts	3,354,831	1,024,016	4,378,847
Disbursements:			
Public safety	537,764	-	537,764
Public works	451,451	-	451,451
Health and social services	17,350	-	17,350
Culture and recreation	626,309	-	626,309
Community and economic development	87,032	-	87,032
General government	401,885	-	401,885
Debt service	1,353,128	-	1,353,128
Capital projects	2,371,213	-	2,371,213
Business type activities	-	974,907	974,907
Total disbursements	5,846,132	974,907	6,821,039
Excess (deficiency) of receipts over (under) disbursements	(2,491,301)	49,109	(2,442,192)
Other financing sources (uses), net	14,839	26,000	40,839
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(2,476,462)	75,109	(2,401,353)
Balances beginning of year	4,850,627	1,205,045	6,055,672
Balances end of year	\$ 2,374,165	1,280,154	3,654,319

See accompanying independent auditors' report.

Budgeted Amounts		Final to
Original	Final	Total Variance
1,142,586	1,142,586	10,667
728,685	728,685	(49,253)
492,451	507,451	7,128
8,470	8,470	7,257
92,500	102,500	(17,954)
1,242,900	1,252,900	(592,920)
1,090,700	1,090,700	74,165
-	6,000	2,026
103,800	103,800	(5,361)
4,902,092	4,943,092	(564,245)
533,565	533,565	(4,199)
507,250	507,250	55,799
22,500	22,500	5,150
594,245	623,745	(2,564)
41,500	75,500	(11,532)
362,700	369,700	(32,185)
979,132	1,379,132	26,004
2,207,130	3,607,130	1,235,917
1,057,634	1,057,634	82,727
6,305,656	8,176,156	1,355,117
(1,403,564)	(3,233,064)	790,872
395,000	395,000	(354,161)
(1,008,564)	(2,838,064)	436,711
4,290,602	6,055,672	-
3,282,038	3,217,608	436,711

City of Story City

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$41,000 and budgeted disbursements by \$1,870,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, and general government functions.

Supplementary Information

City of Story City

**Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2014

	Special Revenue				
	Economic Development Revolving Loan	Police Forfeitures	Insurance	Gilbert Library	Golf Course Trust
Receipts:					
Use of money and property	16,130	2	-	54	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	36,200	172
Total receipts	16,130	2	-	36,254	172
Disbursements:					
Operating:					
Public works	-	-	-	-	-
Community and economic development	22,710	-	-	-	-
Culture and recreation	-	-	-	33,576	940
General government	-	-	17,626	-	-
Total disbursements	22,710	-	17,626	33,576	940
Excess (deficiency) of receipts over (under) disbursements	(6,580)	2	(17,626)	2,678	(768)
Other financing sources (uses):					
Operating transfers in	-	-	18,000	-	-
Operating transfers out	-	-	-	(1,800)	-
Total other financing sources (uses):	-	-	18,000	(1,800)	-
Change in cash balances	(6,580)	2	374	878	(768)
Cash balances beginning of year	163,943	459	(1,325)	5,964	939
Cash balances end of year	\$ 157,363	461	(951)	6,842	171
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-
Restricted for debt service	-	-	-	-	-
Restricted for streets	-	-	-	-	-
Restricted for other purposes	-	-	-	6,842	-
Unassigned	157,363	461	(951)	-	171
Total cash basis fund balances	\$ 157,363	461	(951)	6,842	171

See accompanying independent auditors' report.

Debt Service		Permanent Cemetery Perpetual Care	Total
Special Assessments	TIF Reserve		
469	-	155	16,810
-	-	-	-
-	-	-	-
8,026	-	-	8,026
-	-	1,046	37,418
8,495	-	1,201	62,254
-	-	-	-
-	-	-	22,710
-	-	-	34,516
-	-	-	17,626
-	-	-	74,852
8,495	-	1,201	(12,598)
-	-	-	18,000
(10,000)	-	-	(11,800)
(10,000)	-	-	6,200
(1,505)	-	1,201	(6,398)
103,232	1	65,880	339,093
101,727	1	67,081	332,695
-	-	67,081	67,081
101,727	1	-	101,728
-	-	-	-
-	-	-	6,842
-	-	-	157,044
101,727	1	67,081	332,695

City of Story City

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2014

	<u>Stormwater Drainage</u>
Operating receipts:	
Charges for service	47,026
Operating disbursements:	
Business type activities	<u>3,932</u>
Excess of operating receipts over operating disbursements	43,094
Non operating receipts and disbursements:	
Interest on investments	<u>105</u>
Excess of receipts over disbursements	<u>43,199</u>
Transfers out	<u>(36,000)</u>
Change in cash balances	7,199
Cash balances beginning of year	<u>5,267</u>
Cash balances end of year	<u><u>12,466</u></u>
Cash Basis Fund Balances	
Unrestricted	<u>12,466</u>
Total cash basis fund balances	<u><u>12,466</u></u>

See accompanying independent auditors' report.

City of Story City
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Annual appropriation development	Mar. 1, 2009	4.00-6.15%	1,115,000
Corporate purpose	Jan. 13, 2011	.90-4.25%	1,870,000
Fire truck loan	Jun. 1, 2012	2.45%	225,000
Water improvement refunding	Oct. 11, 2012	.35-2.70%	4,080,000
Equipment loan	Feb. 1, 2013	0.00%	35,000
Total			
Urban Renewal Tax Increment Financing Bonds:			
Urban Renewal Tax Increment Bonds-Series 2010	Jan. 14, 2010	1.70-3.55%	570,000
Other:			
Water Revenue Bonds Series 2012A	Oct. 11, 2012	.65-3.75%	\$ 2,925,000

See accompanying independent auditors' report.

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
835,000	-	100,000	735,000	47,350	-
1,475,000	-	105,000	1,370,000	48,783	-
204,840	-	20,533	184,307	5,017	-
3,670,000	-	570,000	3,100,000	38,485	-
-	35,000	35,000	-	-	-
\$ 6,184,840	\$ 35,000	\$ 830,533	\$ 5,389,307	\$ 139,635	\$ -
\$ 370,000	\$ -	\$ 370,000	\$ -	\$ 11,713	\$ -
\$ 2,925,000	\$ -	\$ 45,000	\$ 2,880,000	\$ 122,634	\$ -
\$ 9,479,840	\$ 35,000	\$ 1,245,533	\$ 8,269,307	\$ 273,982	\$ -

City of Story City
Bond and Note Maturities
June 30, 2014

General Obligation Notes									
Year Ending June 30,	Annual Appropriation		Corporate Purpose		Fire Truck Loan		Water Improvement Refunding		
	Issued Mar 1, 2009		Issued Jan 13, 2011		Issued Jun 1, 2012		Issued Oct 11, 2012		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2015	5.15%	105,000	2.15%	110,000	2.45%	21,142	0.55%	570,000	806,142
2016	5.50%	110,000	2.15%	110,000	2.45%	21,667	0.65%	575,000	816,667
2017	5.70%	120,000	2.90%	115,000	2.45%	22,203	0.85%	585,000	842,203
2018	5.90%	125,000	2.90%	115,000	2.45%	22,753	1.10%	595,000	857,753
2019	6.05%	135,000	3.50%	120,000	2.45%	23,317	1.65%	45,000	323,317
2020	6.15%	140,000	3.50%	125,000	2.45%	23,894	1.65%	50,000	338,894
2021			3.80%	125,000	2.45%	24,486	1.65%	50,000	199,486
2022			3.80%	130,000	2.45%	24,845	2.00%	50,000	204,845
2023			4.10%	135,000			2.00%	50,000	185,000
2024			4.10%	140,000			2.00%	55,000	195,000
2025			4.25%	145,000			2.35%	55,000	200,000
2026							2.35%	55,000	55,000
2027							2.35%	55,000	55,000
2028							2.35%	60,000	60,000
2029							2.70%	60,000	60,000
2030							2.70%	60,000	60,000
2031							2.70%	65,000	65,000
2032							2.70%	65,000	65,000
Total		\$ 735,000		\$1,370,000		\$ 184,307		\$ 3,100,000	5,389,307

See accompanying independent auditors' report.

Water Revenue Bonds		
Year Ending June 30,	Issued Oct. 11, 2012	
	Interest Rates	Amount
2015	0.65%	100,000
2016	1.00%	100,000
2017	1.00%	100,000
2018	1.50%	100,000
2019	1.50%	105,000
2020	1.85%	105,000
2021	1.85%	105,000
2022	2.10%	110,000
2023	2.10%	110,000
2024	2.40%	115,000
2025	2.40%	115,000
2026	2.60%	120,000
2027	2.60%	125,000
2028	2.80%	125,000
2029	2.80%	130,000
2030	3.00%	135,000
2031	3.00%	140,000
2032	3.25%	140,000
2033	3.25%	150,000
2034	3.25%	155,000
2035	3.75%	160,000
2036	3.75%	165,000
2037	3.75%	170,000
Total		<u>\$ 2,880,000</u>

City of Story City
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts:										
Property tax	1,153,253	1,049,365	1,055,244	\$ 993,365	\$ 964,559	\$ 910,698	\$ 870,452	\$ 815,902	\$ 737,182	720,33
Tax increment financing collections	679,432	735,317	773,895	751,639	759,687	749,438	899,346	998,845	683,605	1,076,64
Other city tax	514,579	510,237	520,034	494,595	487,913	514,764	485,347	473,843	422,805	408,44
Licenses and permits	15,727	12,749	8,557	8,991	9,095	12,627	8,660	14,935	12,649	14,96
Use of money and property	60,734	93,589	60,769	86,457	92,850	91,044	132,281	172,571	121,156	86,07
Intergovernmental	659,980	710,170	347,218	732,289	939,970	490,382	352,661	612,109	419,531	630,20
Charges for service	164,661	142,239	139,599	147,379	157,575	158,673	137,977	139,641	128,921	115,11
Special assessments	8,026	-	-	84,359	-	2,202	7,285	21,603	8,138	43,25
Miscellaneous	98,439	103,369	141,955	134,229	102,772	109,605	123,273	79,726	224,252	179,49
Total	\$3,354,831	\$3,357,035	\$3,047,271	\$3,433,303	\$3,514,421	\$3,039,433	\$3,017,282	\$3,329,175	\$2,758,239	3,274,54
Disbursements:										
Operating:										
Public safety	537,764	888,969	500,053	\$ 462,261	\$ 462,292	\$ 475,784	\$ 422,697	\$ 423,161	\$ 382,754	369,44
Public works	451,451	411,518	393,319	389,527	395,681	448,109	414,110	400,717	370,229	354,28
Health and social services	17,350	21,000	19,500	20,200	19,900	-	-	17,350	-	1,00
Culture and recreation	626,309	545,582	555,263	567,266	503,476	610,499	580,565	396,949	404,715	392,58
Community and economic development	87,032	93,359	610,277	542,351	380,541	165,509	162,197	242,974	99,198	399,89
General government	401,885	374,049	358,244	331,372	356,833	323,761	329,277	304,198	315,090	369,19
Debt service	1,353,128	3,991,911	506,013	2,052,479	493,810	802,846	789,916	3,182,355	620,143	1,576,32
Capital projects	2,371,213	2,161,900	722,463	1,819,362	1,466,632	1,947,569	495,292	3,617,145	1,421,835	984,05
Business type activities	-	-	-	-	-	38,543	-	-	-	-
Total	\$5,846,132	\$8,488,288	\$3,665,132	\$6,184,818	\$4,079,165	\$4,812,620	\$3,194,054	\$8,584,849	\$3,613,964	\$4,446,79

See accompanying independent auditors' report.

City of Story City

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Story City, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Story City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Story City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Story City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Story City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as items II-A-14 through II-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Story City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Story City's Responses to Findings

The City of Story City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Story City's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Story City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 15, 2014
Ames, Iowa

City of Story City
Schedule of Findings
Year ended June 30, 2014

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Story City
Schedule of Findings
Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-14 Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The same person is responsible for authorizing, recording and custody of assets.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-14 Records** - The City received debt proceeds in the fiscal year ended June 30, 2013 from two separate debt issues that were deposited into an escrow account. From the escrow account, they then retired some outstanding debt early. None of the activity in this escrow account was recorded for the previous two fiscal years on the City's books including the debt proceeds, issuance costs, interest earned on the account, or the principal and interest paid on the debt they retired. A journal entry was made to record the activity so it has been properly reflected on the audited financial statements.

Recommendation - The City should account for all City money received and disbursed in their records.

Response - We will do so in the future.

Conclusion - Response accepted.

- II-C-14 Reconciliations** - Bank reconciliations are being performed on a monthly basis. However, the City was not comparing the total amount of cash and investments on hand per the bank reconciliation to the City report that actually shows what is on hand in each fund at month end. The result was the June 30, 2014 total cash and investments on the report showing ending fund balances was \$38,000 less than what the City actually had on hand. The error was from checks written in July of 2014 that were posted to their system in June 2014, which is two separate fiscal years.

Recommendation - The City needs to implement procedures to ensure the reconciliations are performed correctly and that the reports generated by the system have matching totals.

City of Story City
Schedule of Findings
Year ended June 30, 2014

Response - We will do so in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Story City
Schedule of Findings
Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-14 Certified Budget** – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, and general government functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will do so in the future.

Conclusion – Response accepted.

- III-B-14 Questionable Disbursements** – We noted one disbursement that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The City had an appreciation dinner for volunteers at the Library that cost \$570 and the event was not open to the public.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

- III-C-14 Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-14 Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jensen Excavating, owned by son of Mayor	Services	\$ 17,163
Central Iowa Televising, owned by Kevin Jacobson, employee	Services	3,563

City of Story City
Schedule of Findings
Year ended June 30, 2014

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the first individual appear to represent a conflict of interest since total transactions exceeded \$1,500 during the fiscal year and competitive price quotes were not obtained for all of the services that were not emergency related. The transactions with the second individual do not appear to represent a conflict of interest because the City obtained quotes for services from two other vendors and both quotes were higher than the one provided by Central Iowa Televising.

Recommendation – The City should consult with legal counsel to determine the disposition of this matter.

Response – We will do so. Most of the transactions with the first individual were “emergency” type repair work for water leaks. However, we will try to obtain competitive price quotes in the future for all non-emergency related services.

Conclusion – Response accepted.

III-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-14 Deposits and Investments – No instances of non-compliance with the City’s investment policy were noted.

III-H-14 Financial Condition – The following funds had deficit balances at June 30, 2014:

Special Revenue Insurance Fund	\$ 951
Capital Projects South Storm Water Drainage Fund	36,613
Capital Projects CDBG South Storm Water Drainage Fund	1,966
Capital Projects Housing/CDBG Fund	90,393

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – We are waiting for reimbursement of grant monies for the Housing/CDBG Project and the CDBG South Storm Water Drainage Project. Bonds will be issued once the South Storm Water Drainage Project is complete which will eliminate that deficit.

Conclusion – Response accepted.

III-I-14 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before

City of Story City
Schedule of Findings
Year ended June 30, 2014

December 1. However, the non-rebate expenditures of the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's actual amounts.

Recommendation – The City should ensure the amounts on the Levy Authority Summary agree with the City's records.

Response – These items will be correct on future reports. The differences resulted from money being held in the bond escrow fund from debt refinancing.

Conclusion – Response accepted.

- III-J-14 Revenue Bonds – The City has not met the requirements of the bond resolution for the Water Revenue Bonds. They are required to have net revenues of at least 110% of the amount of annual payments of principal and interest on all water revenue bonds outstanding.

Also, once the requirements for the sinking fund, reserve fund and improvement fund have been met, any excess money should be credited to the Surplus Fund. As of June 30, 2014, no surplus fund had been established and the improvement fund has over \$100,000 in excess of its minimum required balance.

Recommendation – The City should establish the required surplus fund and deposit all excess moneys here. The City should also ensure the net revenue requirements of the bond resolution are being met.

Response – We are accumulating money in the improvement fund to make improvements to the water tower which will be spent over a three year period and reduce the improvement fund to well below the current balance.

Conclusion – Response accepted.

- III-K-14 Hotel/Motel Revenues – The City did not deposit their hotel/motel tax revenues in a separate fund for reinvestment projects pursuant to Chapter 15J.7 of the Code of Iowa.

Recommendation – The City should set up a new fund for the hotel/motel receipts and transfer the receipts for the fiscal year ended June 30, 2014 into this new fund. All future receipts should be recorded in the new fund also.

Response – This was a new requirement for this fiscal year and will be correct for future fiscal years.

Conclusion – Response accepted.